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European Defence Markets

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Where European defence money goes — and who can get at it · by Digital Shield

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Spain approved €26.3bn of defence spending between dissolving parliament and mid-November, a third of it as loans; Italy says it meets NATO's target by counting internal security; France orders 50,000 shells and pays to triple a factory; and Bulgaria buys German air defence with EU money.

THE ESSENTIALS

- **Spain before the polls:** 43 defence agreements worth €26.3bn approved between 6 October and 17 November; €8.6bn are zero-interest loans and €12.9bn of contracts have no named supplier (Analysis).
- **Indra doubles down:** its Forward2030 plan targets more than €12bn of revenue and an EBIT above €1.5bn by 2030 (no. 1).
- **Artillery at scale:** France orders 50,000 155mm shells from KNDS and co-funds a tripling of its plant (no. 2).
- **Counting creatively:** Italy says it reaches 2.8% of GDP in 2026 by adding internal security to defence (no. 3).
- **SAFE at work:** Bulgaria ratifies a €925.9m deal for five more IRIS-T SLM, financed with EU loans (no. 5).
- **Troop plan on 1 December:** Hegseth delivers his European troop plan two days after Spain votes (no. 8).

ANALYSIS

Spain hands its next government €26bn of defence approvals, a third of them loans

By Óscar Ruiz

Between 6 October, when parliament was dissolved, and 17 November, Spain's cabinet approved 43 defence agreements worth €26.3bn, according to a count by Digital Shield's Spanish edition. Contract authorisations account for €16.3bn (61.9%) and zero-interest loans from the Industry Ministry for €8.6bn (32.7%). Seven programmes appear twice, as contract and as loan; net of that €2.7bn overlap, the total is €23.6bn.

The loans are concentrated. The Spanish Eurofighter consortium, CEDIEF, takes €4.08bn, almost half. On the other side, €12.9bn of authorised contracts have no supplier named in the official cabinet summaries, led by a €3.4bn mobile air-defence programme for which no system has been chosen. Spanish press have named Diehl's IRIS-T SLM, MBDA's CAMM-ER and Kongsberg-Raytheon's NASAMS as candidates.

The timing matters because of a clause in Royal Decree 1014/2026: if the contract behind each loan is not signed by 31 October 2027, the advance must be repaid in full. Whoever governs after Sunday will have eleven months to sign or renegotiate, with anti-corruption prosecutors examining earlier direct awards and Santa Bárbara Sistemas, part of General Dynamics, challenging earlier loans to Indra and Escribano in Spain's Supreme Court.

Two business takeaways

- **Cash arrives before contracts.** The decree releases €886m in 2026. Primes such as Airbus, Indra and GMV can place subcontracts before signing with the ministry, which is the window for second-tier suppliers across Europe.
- **The unnamed €12.9bn is the contestable part.** European air-defence makers should watch Spain's €3.4bn programme closely; it is one of the largest open air-defence decisions in Europe.

What to watch: the result of Sunday's election, who signs the pending contracts, and whether Spain's official gazette publishes the first awards before year-end.

Source: Escudo Digital (Spanish edition)

EUROPE

INDUSTRY

1. Indra targets more than €12bn of revenue by 2030 under its Forward2030 plan

Indra presented its Forward2030 strategic plan on 25 November. It aims to grow revenue from €5.457bn in 2025 to more than €12bn in 2030 and €20bn in 2035, with EBIT above €1.5bn and a margin above 12.5%. The group expects to generate more than €3.1bn of cash in 2026–2030, excluding advances under Spain's special modernisation programmes, and to invest €1bn of its own resources in research and development.

The backlog stands above €22bn, around €11.4bn of it in defence, and about 70% should convert into revenue by 2030. Indra says it wants to become "a major prime contractor in Europe", with its IndraMind data and AI business reaching €1.2bn of revenue. The plan lands as Spanish prosecutors examine earlier awards to Indra and Escribano Mechanical & Engineering, as reported in last week's issue.

For the sector: A Spanish group planning to more than double in five years will need suppliers. For European partners, Indra's push into space through Hispasat and Hisdesat and into land systems opens teaming opportunities.

Source: Indra Group (press release)

MUNITIONS

2. France orders 50,000 shells from KNDS and co-funds a tripling of its La Chapelle-Saint-Ursin plant

France's procurement agency, the DGA, has ordered 50,000 155mm shells from KNDS France for delivery in 2029 and 2030, as part of the update to the military programming law. The State and KNDS France will share equally the cost of a project to triple capacity at La Chapelle-Saint-Ursin, in the Cher, adding a new explosive-filling unit and two machining units. The plant has already doubled its 155mm output since 2022 and is recruiting more than 150 people.

For the sector: Paris is paying for capacity as well as rounds. Suppliers of shell bodies, fuzes and energetics in France gain multi-year visibility.

Source: Defence Industry Europe

BUDGETS

3. Italy says it reaches 2.8% of GDP in 2026 by counting internal security

Rome says its 2026 spending reaches 2.8% of GDP: 2.1% on core defence and 0.7% on internal security. The total computed for NATO is €48.31bn. The defence function rises to about €23.6bn from €22.49bn, and the defence ministry's investment budget is €9.33bn, above €12bn with Industry Ministry funds. The budget was published months late.

For the sector: Italy's accounting is a template other allies struggling with the target may follow, and it shifts attention from new procurement to how existing spending is counted.

Source: Defense News

NAVAL

4. Elbit wins electronic warfare for Germany's first four F128 frigates

TKMS awarded Elbit Systems Deutschland, based in Ulm, a five-year contract on 24 November for four Aqua Marine electronic warfare suites for the first F128 frigates. Germany plans eight ships for about €11.5bn, with the first due at the end of 2029; Saab supplies radars and the combat system.

For European industry: Germany is integrating Israeli-designed electronic warfare into its most expensive naval programme while other European governments, Spain among them, restrict Israeli arms purchases. Europe has no common line on the issue.

Source: Defence Industry Europe

AIR DEFENCE

5. Bulgaria ratifies a €925.9m deal for five more IRIS-T SLM, paid with SAFE loans

Bulgaria's parliament has ratified an agreement with Germany for five additional IRIS-T SLM systems worth about €925.9m, financed through the EU's SAFE loan programme. It is the second phase of a programme worth about €1.1bn under the European Sky Shield Initiative, prompted by drone attacks on two merchant ships in Bulgaria's Black Sea economic zone.

For the sector: SAFE is now paying for European air defence. Diehl Defence strengthens its position in a segment where Spain has yet to choose a system for €3.4bn.

Source: Defence Industry Europe

UNITED KINGDOM

6. UK audit office finds £8.6bn locked in for GCAP and £3.3bn of savings without delivery plans

The National Audit Office found that the Ministry of Defence committed £8.6bn to GCAP in the four years to 2029–30, and £680m for 23 AW149 helicopters, before its Defence Investment Plan was finalised; the plan itself slipped six months. Edgewing, the BAE Systems, Leonardo and JAIEC venture, won a £4.6bn concept and assessment contract in July. The NAO also found that £3.3bn of cost reductions added to the plan in June were not supported by finalised delivery plans, and that no capital contingency was set aside for 2026–27 despite a forecast £0.3bn pressure.

A separate NAO report warns that the procurement arm is operating with an 18% capacity shortfall. On 24 November the MoD abandoned PANOPTES, its competition for a vehicle-mounted laser against drone swarms, two days before final proposals were due, citing flaws in how first-stage bids were assessed. Up to £5m was on offer for the next stage, and the MoD had put the wider opportunity at £125m without an approved budget.

Separately, BAE Systems opened a £180m automated filling plant at Glascoed, South Wales, designed to increase 155mm shell output sixteen-fold once live trials end.

For the sector: GCAP money is ring-fenced; savings without plans and a stretched procurement organisation point to slower contract placement for everything else in the UK pipeline. PANOPTES bidders must wait for a relaunch.

Source: UK Defence Journal (NAO) · UK Defence Journal (savings) · UK Defence Journal (capacity) · UK Defence Journal (PANOPTES) · UK Defence Journal (Glascoed)

UNCREWED SYSTEMS

7. Germany plans its first drone regiment, partly equipped with Ukrainian drones and missiles

The German Army plans to start forming a drone regiment in 2027 with about 350 personnel, rising to around 600 by 2029, according to internal documents reported by Politico. It would field Quantum Systems, Perennial Autonomy and Ukrainian systems, including the Raybird drone and the FP-5 Flamingo cruise missile, with a purchase of thousands of drones estimated at €150m. The Army has not confirmed the details.

For the sector: Ukrainian manufacturers are becoming suppliers to NATO armies as well as recipients of aid; German integrators will compete with them for the same budgets.

Source: Militarnyi (Politico)

INTERNATIONAL

TRANSATLANTIC

8. Hegseth delivers his European troop plan on 1 December, two days after Spain votes

The US Defense Secretary will present his recommendations on the military presence in Europe to President Trump on 1 December. Bloomberg reported that cuts would be around 5,000 troops, far below the 25,000 some allies feared, concentrated in Germany. The US had about 78,000 personnel in Europe on 30 September, close to the legal floor of 76,000. Rota, in Spain, hosts six Aegis destroyers.

For European industry: Host-nation support is a market of its own: naval maintenance at Rota, construction and services at bases in Poland and the Baltic states.

Source: Digital Shield

MISSILES

9. US Marines study doubling the Naval Strike Missile's range to more than 500 km

The US Marine Corps is studying an extension of the range of Kongsberg's Naval Strike Missile from about 250 km to more than 500 km for its NMESIS coastal system. No cost or timeline has been disclosed.

For European industry: European NSM users, including Spain for its S-80 submarines, could inherit a longer-range version funded by Washington, but Norway's export licence remains the gatekeeper.

Source: Defence Industry Europe

NORTH AFRICA

10. Morocco spends a sixth of Spain's defence budget and bets on drones to close the gap

Morocco spent about €5.6bn on defence in 2025 against Spain's €34.3bn, according to SIPRI. In October it tested counter-drone systems with US forces at Tan-Tan, about 200 km from Lanzarote, and plans to evaluate up to 15 more systems between February and May 2027, with the aim of fielding those that work within 180 days.

For European industry: Rabat is buying counter-drone capability through US partnerships; European C-UAS makers have no visible role in one of the fastest-moving markets on Europe's southern border.

Source: Digital Shield

OPEN TENDERS

Opportunity	Buyer	Value	Status	Notice
UK: Heavy Equipment Transporter replacement (MDL HET), c.70–90 vehicles of at least 85 tonnes	DE&S	est. £315m	New. Notice amended 20 Nov; industry day 14 Jan 2027; contract July 2027–July 2039	110321
UK: Boxer Integrated Operating Services	DE&S	c.£1.67bn	Pipeline notice; support from April 2029	107384
UK: PANOPTES vehicle-mounted laser C-UAS	UK Defence Innovation	Up to £5m (stage 2)	Abandoned 24 Nov, two days before final bids	UKDJ

Find a Tender and TED could not be filtered by date this week; the table lists UK notices reported between 20 and 25 November plus the largest pipeline notice carried over from last week. The Fountain Lake Jetty (£500m) and air cargo (£174m) notices listed last week remain live.

AWARDS OF THE WEEK

Region	Contractor	Programme	Value	Date
US	Boeing	15 more KC-46A tankers (Lot 13)	$2.8bn	24 Nov
US	Northrop Grumman	Three E-130J TACAMO test aircraft and spares (option exercised)	$1.13bn	25 Nov
BG	Diehl Defence	Five more IRIS-T SLM (SAFE-funded)	€925.9m	24 Nov
UK	HII	Eight mine-hunting mission systems with REMUS 620 UUVs (MHC Block 2)	£303m	25 Nov
US	Boeing	More MH-47G Block II Chinooks for special operations	$197.3m	23 Nov
UK	SRC UK	Gryphon R1430 counter-fire radars (SERPENS), initial six years	£74m	20 Nov
FR	KNDS France	50,000 155mm shells, delivery 2029–2030	Not disclosed	21 Nov
DE	Elbit Systems Deutschland	EW suites for four F128 frigates	Not disclosed	24 Nov

HII: £303m excluding VAT according to the DE&S award notice reported by UK Defence Journal; HII puts its order at about $186m (Defence Industry Europe). The difference has not been explained.

CORPORATE MOVES

▪ Cerberus to buy the US space business of Airbus

Cerberus Capital Management will acquire the satellite business of Airbus U.S. Space & Defense, based at Merritt Island, Florida; the deal is expected to close before year-end and the price has not been disclosed.

Airbus is narrowing its US footprint to aviation and autonomous systems.

Source: Breaking Defense

▪ Rheinmetall holds its Capital Markets Day in Hamburg

Rheinmetall hosts its Capital Markets Day from 25 to 27 November, with a webcast on 27 November. In the first nine months of 2026, sales rose 38% to €8.4bn and the operating margin was 16.0%. The new targets will be presented on 27 November, after this issue closed.

Investors will look at how the new targets translate into deliveries and cash.

Source: Rheinmetall · Rheinmetall (Q3)

▪ Saab licenses mortar ammunition production to Poland's Dezamet

Saab and Dezamet, part of PGZ, signed a licence to produce and sell MAPAM mortar ammunition in Poland. It is the first industrial cooperation commitment Saab fulfils under the Orka submarine programme signed with Poland earlier this year.

Licensed production is becoming the price of entry into the Polish market.

Source: Defence Industry Europe

▪ Czech PBS Aerospace to at least double US production

The Czech jet engine maker plans to at least double its US production capacity for engines used in drones and missiles.

Small European propulsion firms are finding their growth in the US market.

Source: Defense News

Appointments: no significant board or ministry changes recorded this week.

Share prices are omitted this week because individual closing prices could not be verified in our usual sources. Market information only; not investment advice.

PROGRAMME TRACKER

Programme	Status	Latest
Spain: special modernisation loans	**Approved**	€6.4bn in zero-interest loans published 20 November; contracts must be signed by 31 October 2027
Spain: mobile air defence	**Open**	€3.4bn authorised with no system chosen
GCAP	**Funded**	UK ring-fences £8.6bn to 2029–30 (no. 6); German entry still open
FCAS / SCAF	**Collapsed**	Germany studying GCAP after talks with France broke down
F128 (DE)	**Under way**	EW to Elbit; first ship due end-2029 (no. 4)
European Sky Shield	**Expanding**	Bulgaria adds five IRIS-T SLM with SAFE loans (no. 5)
EU support to Ukraine	**Proposed**	€45bn loan for 2027 under negotiation

Source: Defense News (GCAP) · Defense News (Ukraine loan)

AGENDA

Date	Event
27 Nov	Rheinmetall Capital Markets Day webcast, 10:00 CET
29 Nov	Spanish general election
1 Dec	Hegseth delivers his European troop plan to President Trump
14 Jan 2027	Industry day for the UK Heavy Equipment Transporter programme (est. £315m)
Feb–May 2027	Morocco evaluates up to 15 counter-drone systems with US forces
31 Oct 2027	Deadline to sign contracts behind Spain's €6.4bn in zero-interest loans

STRATEGIC AUTONOMY RADAR

Vulnerability detected

- **Procurement capacity:** the UK's procurement arm works with an 18% capacity shortfall, and London abandoned its laser counter-drone competition two days before final bids (no. 6).
- **Political calendar:** Spain's €26.3bn of approvals depend on contracts that a new government must sign within eleven months (Analysis).

Step towards autonomy

- **Munitions:** France triples a shell plant and the UK opens an automated one (no. 2 and 6).
- **Industrial base:** the Netherlands commits €1.6bn to grow its defence industry by 40% and reach €15bn of revenue by 2030 (Defense News).

SIGNAL OF THE WEEK

Italy says it meets the NATO target by counting internal security and Spain approves €26bn weeks before an election: Europe is meeting its spending goals on paper before it meets them on the factory floor.

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